

Economic Impact of Voting and Procurement Rules

General remarks

Doctoral dissertations serve two main purposes, one scientific (to contribute new knowledge) and the other educational (to demonstrate the ability of the doctoral candidate to master and analyze existing knowledge). This dissertation comprises three chapters on the political economy of elections and corruption. In my assessment, all three chapters clearly satisfy both of the above criteria as they all deal clearly and competently with well-chosen and closely related aspects of applied political economy having to do with the relationship between voting, political organization, and political behavior. The three chapters clearly demonstrate the doctoral candidate's mastery of the relevant academic literature as well as his ability to throw new light on his chosen research topics and to apply state-of-the-art econometric techniques to his material, and they thus satisfy the requirements for a doctoral degree. The dissertation is lucidly presented and well organized.

Chapter 1

This chapter, *More Eyes See More: Political Parties and Wasteful Spending in Public Procurement*, examines the relationship between the number of political parties in democratically elected legislatures and the efficiency of public expenditure, specifically public procurement. Supported by careful analysis as well as by modern econometric methods applied to Czech data, the chapter convincingly argues that more parties in parliaments, through mutual monitoring, tend to increase political accountability and to reduce wasteful public spending by allocating fewer contracts to political donors and by keeping procurement prices down. The econometric methods used are designed to deal with thresholds in the data, that is, to study whether the relationships among the variables under study depend on where in the range of a given variable that variable happens to be – e.g., below or above a certain threshold. The empirical results are subjected to and survive a battery of robustness tests. Even so, the concluding section points out that the analysis cannot be used to test whether a decrease in minimum-vote thresholds in municipal or national elections would be conducive to greater political accountability, an obvious follow-up research project for the author. This chapter is, in my view, highly

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original, and is ready as is for submission to a first-rate political economy journal.

Chapter 2

This chapter, *Manipulation of Procurement Contracts: Evidence from the Introduction of Discretionary Thresholds*, co-authored by Filip Pertold, applies similar econometric methods to explore the relationship between the lack of transparency and open competition in procurement and political manipulation of procurement values. The relevant threshold here is the pecuniary value of procurement contracts below which public officials are free to select firms to be invited to submit bids. The authors find that below the threshold there is a clustering of procurement contracts with anonymous firms as well as of contracts with high procurement prices benefitting select firms often without traceable owners. Thus, the authors report that lack of transparency tends to harm the public through lower procurement values. The argument presented is well connected to statistical applications of the econometric methods used to analyze bunching and thresholds in other areas, e.g., tax policy. The argument is, however, less well connected to the current state of play in procurement policy such as recent efforts by the EU to tackle secret ownership and initiatives by the World Bank to the same end. An interesting appendix table under the heading “Scandals in Procurement Related to Anonymous Firms” puts some meat on the skeleton. Even so, a brief separate subsection on policy, placed, e.g., between the current sections 2.2 and 2.3, would strengthen the policy-relevant appeal of the analysis. Further, this chapter is not quite as well written as the first one. The language needs to be polished slightly in a few places and the numbering of tables and charts in the text needs to be adjusted. Apart from that, however, this chapter like the first one is ready for submission to a first-rate political economy or regional journal.

Chapter 3

This chapter, *Information and Vulnerability of Voting Rules to Strategic Voting*, already published in the *Czech Economic Review* (2011), uses computation-based simulations to quantify the vulnerability of ten common voting rules to strategic voting in small collective decision-making organs and to study how the ability of the strategic voter to affect the voting outcome changes with the amount of information about

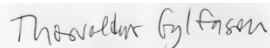
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other voters' preferences possessed by the strategic voter. The author finds that some voting rules are more resistant to strategic voting than others. It would be interesting to receive in the author's future work some analytical guidance as to why this is the case, that is, what attributes of the different voting rules outlined in the appendix make them more or less resistant to strategic voting, and why. Also, if feasible, a corresponding analysis of the impact of strategic voting in larger committees or even municipal or national elections would be welcome.

Conclusion

Based on all three chapters of the dissertation, I conclude that the candidate has demonstrated a profound knowledge of the relevant literature on the political economy of voting and procurement rules as well as mastery of relevant quantitative methods. The candidate has clearly demonstrated his ability to master, analyze, and add to existing knowledge by offering original empirical results. Accordingly, I conclude that the dissertation is worthy of being defended for the doctoral degree at CERGE-EI at Charles University in Prague.

Reykjavík, 15 March 2016.

A handwritten signature in black ink, reading "Thorvaldur Gylfason", is written on a light-colored rectangular background. A thin red horizontal line is drawn below the signature.

Thorvaldur Gylfason.